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September 8, 2010

Summary:

Waunakee Community School District, Wisconsin; General Obligation

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Credit Profile		
US$11.905 mil taxable GO rfdg qual sch const & Build America bnds dtd 10/04/2010 due 04/01/2030		
Long Term Rating	AA-/Stable	New

Rationale

Standard & Poor's Ratings Services assigned its 'AA-' long-term rating to Waunakee Community School District, Wis.' taxable and tax-exempt general obligation (GO) refunding bonds. The rating reflects the district's:

- Growing local economy and direct access to the more diverse Madison area,
- Very strong income levels as measured by median household effective buying income,
- Steadily growing enrollment, and
- Strong financial operations paired with good financial management practices.

The preceding credit strengths are offset by the district's moderately high overall net debt burden and growth pressures, which will likely require additional facility needs.

The long-term take-out bonds are secured by the district's full faith and credit pledge. The district will use bond proceeds to current-refund its 2010 bond anticipation notes. The district intends to issue approximately $3.80 million of the take-out bonds as federally taxable Qualified School Construction Bonds (QSCBs) and $4.65 million as federally taxable Build America Bonds (BABs) in order to receive an interest subsidy from the federal government. Another $3.455 million will be issued as tax exempt, and proceeds will be used to refund a portion of the district's series 2002 GO refunding bonds. For the QSCB portion of the take-out debt, the bonds are structured with a bullet maturity in 2024, with mandatory sinking fund payments set up in an amount sufficient to pay debt service on the bonds as interest comes due. Per state statute, the district must levy for the full amount of debt service due on both the QSCBs and BABs, and will abate the levy only if funds are on hand and not in anticipation of a subsidy payment or interest earnings.

Waunakee Community School District serves an estimated population of 17,409 in the south-central portion of the state. The district encompasses approximately 56 square miles in Dane County, primarily in the village of Waunakee, which is just 13 miles from downtown Madison, home of the University of Wisconsin. The district's boundaries also cover a small portion of the City of Madison, as well as the towns of Dane, Springfield, Vienna, and Westport. The district's participation in the Madison area economy and location along Highway 19, just west of Interstate 90/94, give district residents a broad base of employment opportunities that have remained stable in recent years despite the national economic downturn. Employers within the district's boundaries primarily include small manufacturing facilities and service providers, along with the Waunakee Community School District, which is the leading employer with 528 employees. Residents also have direct access to the Madison area economy, the state capital and home to University of Wisconsin. Income levels are very strong, with per capita and median household effective buying income at 125% of the state's and 132% of the nation's levels. The 2009 unemployment average of

5.7% for Dane County is below both the state and national averages of 8.5% and 9.3%, respectively. Equalized market value grew at an average rate of 8.7% annually from 2006 to 2008 before dropping just 1.2% in 2009 to a still large $2.1 billion, or what we consider an extremely strong $123,739. The tax base is very diverse, with the 10 largest taxpayers accounting for only 3.1% of equalized valuation.

Enrollment in the district's six school facilities has grown at an average annual rate of 3.1% over the last five years, and totaled 3,617 students for fiscal 2010. Management utilizes multiple enrollment studies to project future trends, and expects an additional 60 students annually over the next few years due to residential development in the village of Waunakee. A separate development plan that will add approximately 2,900 residential units over a 20-year time span is expected to contribute to enrollment growth in later years.

The district has maintained strong general fund reserves over the last few years, despite a one-time draw of $663,147 in fiscal 2007 for capital projects. At fiscal year-end June 30, 2009, the total unreserved general fund balance was $4.91 million, which, in our opinion, is a strong 14.2% of expenditures and special education transfers. The district's expects to post an approximate $500,000 surplus for fiscal 2010 due to conservative budgeting and the contingency balance of $100,000 that was built in the original fiscal 2010 budget. For fiscal 2011 the district expects at least break-even general fund operations. The district's general fund revenues are split fairly evenly, with approximately 46% from property taxes and approximately 47% from state aid.

The district's financial management practices are considered "good" under Standard & Poor's Financial Management Assessment (FMA) methodology. An FMA of "good" indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Management reviews revenues and expenditures monthly and provides the board with monthly budget-to-actual result reports. The district uses a long-term financial plan that projects revenue and expenditure items based on historical trends and current events. Capital planning is done using multiyear maintenance and replacement schedules, and the district has a board-approved policy to strive for a general fund balance that represents a minimum of 15% of operating expenditures.

The district's overall debt burden, including overlapping debt, is moderate at 5.3% of equalized market value, but high on a per capita basis at $6,536. Debt service carrying charges were also moderate at 12.72% of total governmental funds expenditures less capital outlays in 2009. Amortization is average, with 57% of the district's direct debt scheduled to mature within 10 years, and the full amount of debt scheduled to mature in 20 years. We understand that the district expects to issue additional debt within the next two years to fund extra facilities to accommodate growing enrollment, although the par amount is uncertain at this time.

Outlook

The stable outlook reflects our expectation that the district will maintain at least a strong level of reserves. The district's access to major job bases in Madison and surrounding communities further supports the stable outlook.

Related Criteria And Research

USPF Criteria: GO Debt, Oct. 12, 2006

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